

## CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Annual Review and Statement of Accounts of Keele University to obtain a better understanding of its governance and legal structure. This statement, including the statement of internal control, covers the financial year and up to the date of approval of the audited financial statements.

### Legal Status of the University

Keele University is an independent corporation and is the successor to the University College of North Staffordshire, founded in 1949. The University derives its legal status from the Royal Charter granted in 1962 (as subsequently amended) and the status of its degrees is recognised by the University of Keele Act 1962. Like many English universities, the University is a charity exempt from registration with the Charity Commission, and since 1 June 2010 the Higher Education Funding Council for England ("HEFCE") has been the principal charity regulator for the University. This means that members of the Council have the responsibilities of charity trustees in relation to ensuring the University's work is for the public benefit and that it complies with Charity Commission expectations.

### How the University is governed

The University is committed to exhibiting best practice in all aspects of corporate governance. The University, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way and to take into account the requirements of its funding bodies and the Higher Education Code of Governance published by the Committee of University Chairs (CUC). The University also conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The CUC Code was revised and published in December 2014 and the University is confident that it has in place the primary elements of the Code and that it meets the supporting statements that underpin the primary elements. The University is also committed to the principles of academic freedom and equality of opportunity in its approach to governance.

The University has a responsibility to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. Our Modern Slavery and Human Trafficking Statement can be accessed on our website at: <https://www.keele.ac.uk/modern-slavery/>.

In line with CUC guidance and sector best practice, Council undertook a review of its own effectiveness during the 2014-2015 financial year. The work of the review group indicated a strong and healthy relationship between Council and the senior management team. The Council is challenging of management whilst remaining constructive and supportive. Matters of strategic importance are presented to the Council and appropriate information around the risks currently facing the University and action to mitigate such risks are also presented and discussed. Key financial information, including action being taken to improve financial performance and sustainability, is presented and Council members were involved fully in developing the University's Strategic Plan 2015-2020. The next effectiveness review is to take place during the 2017-2018 academic year.

In June 2017 HEFCE completed a quinquennial Assurance Review of the University to examine how the University exercises accountability for the public funding it receives. The report was based on the most recently submitted annual accountability returns, the minutes of Council, the Business Review Committee and Audit & Risk Committee meetings in the 12 months prior to the Review and interviews with members of the Council and the executive. HEFCE concluded that it was able to place reliance on the University's accountability information and made only minor observations in respect of our reporting.

### The University's Corporate Governance Framework

The University's powers and framework of governance are set out in the Charter, its supporting Statutes, Ordinances and Regulations. These currently require the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council members are sometimes referred to as the Trustees of the University. Council has a majority of members from outside the University (described as lay members), from whom its Chair and Deputy Chairs must be drawn. Members also include representatives of the University's academic and support staff and student body. For a full list of Council members who have served during the last year see the final page of these accounts.
- **The Senate** is the academic authority of the University and draws its membership entirely from the academic and academic related staff and the students of the institution. Its role is to regulate and superintend the education, welfare and discipline of students and the promotion of learning and research. The Vice-Chancellor is the Chair of the Senate. A review of its effectiveness was also undertaken during 2014/15, alongside the review of Council.

The University undertook a comprehensive review of the committee structure and business in 2014/15. The purpose of the review was to promote a more agile decision-making structure and to maximise efficiency in the delivery of the new Strategic Plan and the operation of university business, to ensure that it is well positioned to respond proactively to changes in the dynamic external environment. A number of committees were discontinued or merged and these changes took effect from the beginning of the 2015/16 academic year. For the start of the 2017-2018 academic year, two new executive committees with responsibility for Health & Safety and Equality & Diversity have been established with lay representation.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the Accountable Officer of the University.

## CORPORATE GOVERNANCE

The Council met five times during 2016-2017, held a joint meeting with the Senate and had a strategy day. The Council has a number of committees, which undertake a lot of the detailed scrutiny on behalf of the Council and their decisions are reported back to the Council and, where relevant, the Senate. All committees are formally constituted with written terms of reference and have majority lay member representation.

### Council Committees

The Business Review Committee provides detailed scrutiny on behalf of Council on matters concerning the operation and financial sustainability of the University. It receives and recommends approval to the Council of the draft budget, financial forecasts and statutory accounts, monitors financial performance against agreed plans and budgets, receives reports on the University's wholly-owned subsidiary companies and monitors the University's portfolio of investments.

The Nominations Committee considers appointments to the Council and its committees taking into account skills and experience and seeking to ensure the promotion of equality and diversity in reflecting both the diversity of society and the needs of the University. The University, in accordance with guidance based on the Lambert Report, normally advertises vacancies nationally against defined person specifications. The Nominations Committee is also responsible for identifying members of the College of Fellows and candidates for honorary degrees. In 2017-2018 responsibility for nominations for honorary degrees will transfer from the Nominations Committee to a new Honorary Degrees Committee, reporting to both the Senate and the Council.

The Senior Remuneration Committee determines the remuneration of the most senior academic and academic related staff, including the Vice-Chancellor.

The Audit & Risk Committee meets at least three times a year, with the University's external and internal auditors in attendance. The Committee changed its name in May 2017 to include 'Risk' in its title to better reflect its scope and remit. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Audit & Risk Committee undertakes an annual appraisal of its effectiveness and prepares an Annual Report for both Council and HEFCE. It also receives and considers reports from HEFCE as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit & Risk Committee, they are not members of the Committee and the Committee members meet both the Internal and External Auditors on their own for independent discussions at least once a year.

### Statement of Primary Responsibilities - The Role of Council

The appointment and powers of Council are laid down by the Charter and Statutes of the University. Its main general responsibilities and duties, as adopted in June 2011 as part of the Council Review of Council Effectiveness and amended in May 2017 to include statements 13 and 14, are as follows:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

## CORPORATE GOVERNANCE

13. To ensure, subject to the relevant legislation, that appropriate arrangements are in place for the management and operation of such companies as are wholly or partly owned by the University.
14. To accept ultimate responsibility for the health and safety of employees, students and other individuals while they are on the institution's premises and in other places where they may be affected by its operations. And to ensure that the institution has a written statement of policy on health and safety and arrangements for the implementation of that policy.
15. To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
17. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

### Preparation of the Financial Statements

In accordance with the University Statutes, the Council is responsible for governing, managing and regulating the finances, accounts, investments, property, business and all affairs whatsoever of the University and is required to present audited financial statements for each financial year.

The Council is responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the HEFCE Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations. They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and University financial statements, Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions, and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Financial Assurance and Accountability with the Funding Council and any other conditions which it may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure;
- ensure that material risks are identified, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

### Risk Management and the System of Internal Control

As the governing body of Keele University, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which the University is responsible in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and in the Memorandum of Assurance and Accountability with HEFCE. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The University has reviewed and updated its risk management procedures, which continue to enable it to be fully compliant with HEFCE requirements.

## **CORPORATE GOVERNANCE**

The University has a published Risk Management Policy, which was approved by Council in June 2011 and reviewed and updated in November 2011 and November 2015. This policy identifies clearly and distinguishes the roles and responsibilities of both the Council and the executive. A key element of the policy is the Corporate Risk Register, which is intrinsically linked to the University's Strategic Plan. Progress against the six strategic aims in the Strategic Plan is presented to the Council at each meeting along with the key performance indicators and a review of the Corporate Risk Register. The Corporate Risk Register is also reviewed by the Audit & Risk Committee at each meeting.

The University employs UNIAC to undertake its internal audit functions and they operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports to the Audit & Risk Committee, including the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Chair of Audit & Risk Committee provides the Council with regular reports concerning internal control.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

### **Value for Money**

The University strives to apply value for money considerations to all its processes and activities and this is supported by strong awareness and vigilance across the executive. The Audit & Risk Committee receives the Value for Money Strategy on an annual basis, monitors progress against the Value for Money Action Plan at each meeting and receives the annual Value for Money Report prior to submission to HEFCE. The Audit & Risk Committee also receives a comprehensive report on the Transparent Approach to Costing (TRAC) analysis undertaken by the University and submitted to HEFCE in January of each year. In addition, all relevant internal audit review undertaken and submitted to the Audit Committee makes specific observations and judgements concerning the value for money demonstrated.

### **Register of Interests**

The University maintains a Register of Interests of members of Council and the executive, which may be consulted by arrangement with the Secretary to the Council. Lay members of Council receive no remuneration for their role although they are reimbursed for travelling and other expenses.

### **Further Information**

Any enquiries about the constitution and governance of the University should be addressed to the Secretary to the Council.